GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2321
ANSWERED ON:14.03.2008
RATE OF INTEREST ON FARM CREDIT
Barad Shri Jashubhai Dhanabhai

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has any proposal/scheme to subvent the rate of interest for providing Farm Credit;

(b) whether the Government of Gujarat has pointed out some difficulties for implementation of interest subvention scheme for providing Farm Credit; and

(c) if so, the action taken by the Union Government to mitigate the difficulties faced by the Government of Gujarat?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) : The Government has decided to ensure that farmers receive Short Term Credit at 7% with an upper limit of Rs.3 lakh on the principal amount since 2006-07. Public Sector Banks, Regional Rural Banks (RRBs) and Cooperative Banks are being provided interest subvention on their own involvement of funds @ 2%. The Government is also providing interest subvention to NABARD for providing concessional refinance to RRBs and Cooperative Banks for the purpose. This scheme continues for the years 2007-08 and 2008-09.

(b) & (c): Yes, Sir. The Government of Gujarat informed that the cost of funds of Cooperative Banks in Gujarat are on the high side and therefore they are not in a position to implement the scheme. They, further, suggested that :

Government of India to consider provision of interest subvention to Cooperative Banks on their own involvement of funds.

NABARD's refinance to Cooperative Banks to be to the extent of 85% of their crop loans.

NABARD's refinance to be available to all Section 11(1) non-compliant banks.

Government of India decided to provide subvention of 2% p.a. to the Cooperative Banks for short term credit disbursed out of their own resources with an upper limit of Rs.3.00 lakh on the Principal amount per borrower.